

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 305 - Quality Child Care Assistance (LSB 1325 SV)

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Fiscal Note Version - New

Description

Senate File 305 requires the Department of Human Services (DHS) to establish a voluntary Quality Rating System (QRS) for child care using a five level system, with implementation to begin on or after January 1, 2006. The Bill allows the DHS to modify implementation of the QRS based on the level of funding made available for FY 2006. In addition, the Bill allows the DHS to implement a reimbursement methodology that will vary based on the achieved ratings of participating providers; however, a provider cannot receive a lower reimbursement rate than was paid under the previous methodology. As of July 1, 2005, the Bill requires the DHS to no longer accept applications for the "Gold Seal" quality child care provider designation.

Background

In 1999, the General Assembly established a two-tier quality rating system for child care centers and homes. The first tier consisted of the registration of child development homes and the licensing of child care centers. The second tier consisted of the "Gold Seal" Program that recognized providers who achieved national accreditation and maintained compliance with regulation through the provision of monetary awards. According to the DHS, less than 1.0% of the 6,000 registered child development homes and less than 11.0% of the 1,500 licensed child care centers were "Gold Seal" recipients as of December 2004 due to the high expense required to attain accreditation and a lack of incentive or low reward for doing so.

In 2003, the General Assembly requested that the State Child Care Advisory Council convene a work group to study quality ratings from other states and make recommendations for Iowa. The work group recommended a voluntary QRS that would raise the quality of child care, increase the number of children in high-quality child care settings, and educate parents regarding quality in child care. After considering these recommendations, the 2004 General Assembly directed the DHS, in partnership with other agencies and organizations, to submit a plan by December 2004 for the implementation of a voluntary QRS in SF 2298 (FY 2005 Omnibus Appropriations Act).

Assumptions

1. Cost projections are based on the components for a QRS set forth in the required plan submitted in December 2004; however, the DHS will design the QRS within the parameters of available funds.
2. Costs associated with the development of the design of the QRS will begin on July 1, 2005, and costs associated with implementation will begin on January 1, 2006.
3. It is unknown how many of the 7,500 regulated child care providers will participate in the voluntary QRS.
4. It is estimated that there will be an increase in administrative and support costs to contract for Project Managers that will develop, review, and process rating certificates and associated data.
5. It is estimated that there will be increased costs associated with marketing the QRS, creating public awareness, and developing a communications plan that will provide information to parents, providers, and the public, which will include web-based information.

6. It is estimated that there will be increased costs associated with providing support to providers through five Child Care Center Specialists. These Specialists will be employed in Child Care Resource and Referral or other community-based agencies to provide technical assistance and follow-up for providers who complete training, environmental ratings, or self-assessments.
7. It is estimated that there will be increased costs to support the development and completion of an Environmental Rating Scale and to observe and score providers.
8. It is estimated that there will be an increased costs for train-the-trainer and provider training on the use of Environmental Rating Scales for self-assessment.
9. It is estimated there will be increased costs to provide bonuses for providers who achieve a level two or above. This assumes that 45 providers (the equivalent of those that currently have the "Gold Seal" designation) would receive a bonus of approximately \$2,200 each in the first year.

Fiscal Impact

The estimated fiscal impact of SF 305 is a State General Fund increase of \$900,000 in FY 2006 and \$1.4 million in FY 2007. The table below provides a breakdown for the utilization of the estimated increase in expenditures:

Anticipated Cost Increases	FY 2006	FY 2007
Project Management & Support	\$ 150,000	\$ 300,000
Marketing & Public Awareness	50,000	100,000
Child Care Center Specialists	250,000	250,000
Environ. Rating Scale Development & Observ.	150,000	300,000
Train-the-Trainer & Provider Training	200,000	200,000
Provider Bonuses	100,000	200,000
Total	\$ 900,000	\$ 1,350,000

Source

Department of Human Services

/s/ Holly M. Lyons

March 15, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
